

**SeriousFun Children's Network, Inc.  
and Subsidiaries**

**Consolidated Financial Statements  
(With Supplementary Information)  
and Independent Auditor's Report**

**December 31, 2020 and 2019**

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# SeriousFun Children's Network, Inc. and Subsidiaries

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## Independent Auditor's Report

To the Board of Directors  
SeriousFun Children's Network, Inc. and Subsidiaries

We have audited the accompanying consolidated financial statements of SeriousFun Children's Network, Inc. and Subsidiaries, which comprise the consolidated statements of financial position as of December 31, 2020 and 2019, and the related consolidated statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the consolidated financial statements.

### *Management's Responsibility for the Financial Statements*

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

### *Auditor's Responsibility*

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### *Opinion*

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of SeriousFun Children's Network, Inc. and Subsidiaries as of December 31, 2020 and 2019, and the changes in their net assets and their cash flows for the years then ended, in accordance with accounting principles generally accepted in the United States of America.

Report on Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The supplementary information on pages 24 and 25 is presented for purposes of additional analysis and is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audits of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the consolidated financial statements as a whole.

*CohnReznick LLP*

Hartford, Connecticut  
April 16, 2021

**SeriousFun Children's Network, Inc. and Subsidiaries**

**Consolidated Statements of Financial Position  
December 31, 2020 and 2019**

	<u>Assets</u>	
	<u>2020</u>	<u>2019</u>
Assets		
Cash and cash equivalents	\$ 7,276,353	\$ 4,878,639
Loan receivable	451,006	486,931
Unconditional promises to give	520,985	1,030,158
Prepaid expenses and other assets	245,949	310,814
Investments	8,332,420	7,855,912
Property and equipment (net)	120,760	-
	<hr/>	<hr/>
Total assets	<u>\$ 16,947,473</u>	<u>\$ 14,562,454</u>
	<u>Liabilities and Net Assets</u>	
Liabilities		
Accounts payable and accrued expenses	\$ 435,633	\$ 264,039
Payables to camps	2,342,111	2,043,577
	<hr/>	<hr/>
Total liabilities	<u>2,777,744</u>	<u>2,307,616</u>
Commitments		
Net assets		
Without donor restrictions	7,494,393	6,141,913
With donor restrictions	6,675,336	6,112,925
	<hr/>	<hr/>
Total net assets	<u>14,169,729</u>	<u>12,254,838</u>
	<hr/>	<hr/>
Total liabilities and net assets	<u>\$ 16,947,473</u>	<u>\$ 14,562,454</u>

See Notes to Consolidated Financial Statements.

**SeriousFun Children's Network, Inc. and Subsidiaries**

**Consolidated Statements of Activities  
Years Ended December 31, 2020 and 2019**

	Without donor restrictions	With donor restrictions	2020	Without donor restrictions	With donor restrictions	2019
<b>Support and revenue</b>						
Contributions	\$ 6,249,536	\$ 5,947,011	\$ 12,196,547	\$ 5,671,855	\$ 6,895,068	\$ 12,566,923
Special events	330,118	38,657	368,775	1,194,729	197,072	1,391,801
Special events program expense	(228,350)	-	(228,350)	(861,493)	-	(861,493)
Contributions in-kind	300	1,399,270	1,399,570	76,937	1,525,808	1,602,745
<b>Total support</b>	<b>6,351,604</b>	<b>7,384,938</b>	<b>13,736,542</b>	<b>6,082,028</b>	<b>8,617,948</b>	<b>14,699,976</b>
<b>Revenue</b>						
Dividends, interest and other investment income	172,016	-	172,016	239,848	-	239,848
Realized and unrealized gain (loss) on investments	288,504	109,201	397,705	265,143	158,368	423,511
Net assets released from restrictions	6,931,728	(6,931,728)	-	8,293,323	(8,293,323)	-
<b>Total revenue</b>	<b>7,392,248</b>	<b>(6,822,527)</b>	<b>569,721</b>	<b>8,798,314</b>	<b>(8,134,955)</b>	<b>663,359</b>
<b>Total support and revenue</b>	<b>13,743,852</b>	<b>562,411</b>	<b>14,306,263</b>	<b>14,880,342</b>	<b>482,993</b>	<b>15,363,335</b>
<b>Expenses</b>						
Program services	10,848,714	-	10,848,714	11,721,035	-	11,721,035
<b>Support services</b>						
General and administrative	704,061	-	704,061	692,145	-	692,145
Development	1,564,948	-	1,564,948	1,797,580	-	1,797,580
<b>Total support services</b>	<b>2,269,009</b>	<b>-</b>	<b>2,269,009</b>	<b>2,489,725</b>	<b>-</b>	<b>2,489,725</b>
<b>Total expenses</b>	<b>13,117,723</b>	<b>-</b>	<b>13,117,723</b>	<b>14,210,760</b>	<b>-</b>	<b>14,210,760</b>
<b>Changes in net assets</b>	<b>626,129</b>	<b>562,411</b>	<b>1,188,540</b>	<b>669,582</b>	<b>482,993</b>	<b>1,152,575</b>
<b>Other revenue</b>						
Gain (loss) on foreign currency	23,151	-	23,151	23,450	-	23,450
Other grant revenue	703,200	-	703,200	-	-	-
<b>Total other revenue</b>	<b>726,351</b>	<b>-</b>	<b>726,351</b>	<b>23,450</b>	<b>-</b>	<b>23,450</b>
<b>Total change in net assets</b>	<b>1,352,480</b>	<b>562,411</b>	<b>1,914,891</b>	<b>693,032</b>	<b>482,993</b>	<b>1,176,025</b>
<b>Net assets, beginning</b>	<b>6,141,913</b>	<b>6,112,925</b>	<b>12,254,838</b>	<b>5,448,881</b>	<b>5,629,932</b>	<b>11,078,813</b>
<b>Net assets, end</b>	<b>\$ 7,494,393</b>	<b>\$ 6,675,336</b>	<b>\$ 14,169,729</b>	<b>\$ 6,141,913</b>	<b>\$ 6,112,925</b>	<b>\$ 12,254,838</b>

See Notes to Consolidated Financial Statements.

**SeriousFun Children's Network, Inc. and Subsidiaries**

**Consolidated Statement of Functional Expenses  
Year Ended December 31, 2020  
(With Comparative Totals for 2019)**

	<u>Program</u>	<u>General and administrative</u>	<u>Development</u>	<u>2020 Total</u>	<u>2019 Total</u>
Grants and financial support to camps	\$ 7,945,036	\$ -	\$ -	\$ 7,945,036	\$ 8,951,529
Salaries and benefits	2,023,897	543,144	1,191,549	3,758,590	3,491,330
Outside services	318,248	19,427	32,990	370,665	201,062
Travel and conferences	56,113	1,684	8,070	65,867	435,332
Office expenses and other	269,652	38,605	180,347	488,604	440,597
Marketing and communications	53,158	10,632	42,526	106,316	249,610
Rent and utilities	120,721	26,785	73,731	221,237	224,732
Insurance and professional fees	60,457	63,466	34,861	158,784	159,338
Uncollectible promises to give	-	-	-	-	57,230
Depreciation	1,432	318	874	2,624	-
Special events expense	-	-	228,350	228,350	861,493
	<u>                    </u>	<u>                    </u>	<u>                    </u>	<u>                    </u>	<u>                    </u>
Total	<u>\$ 10,848,714</u>	<u>\$ 704,061</u>	<u>\$ 1,793,298</u>	<u>\$ 13,346,073</u>	<u>\$ 15,072,253</u>

**SeriousFun Children's Network, Inc. and Subsidiaries**

**Consolidated Statement of Functional Expenses  
Year Ended December 31, 2019**

	Program	General and administrative	Development	2019 Total
Grants and financial support to camps	\$ 8,951,529	\$ -	\$ -	\$ 8,951,529
Salaries and benefits	1,747,402	445,198	1,298,730	3,491,330
Outside services	116,931	70,802	13,329	201,062
Travel and conferences	348,930	8,742	77,660	435,332
Office expenses and other	233,088	46,600	160,909	440,597
Marketing and communications	124,805	24,961	99,844	249,610
Rent and utilities	113,964	29,482	81,286	224,732
Insurance and professional fees	62,982	66,360	29,996	159,338
Uncollectible promises to give	21,404	-	35,826	57,230
Special events expense	-	-	861,493	861,493
<b>Total</b>	<b>\$ 11,721,035</b>	<b>\$ 692,145</b>	<b>\$ 2,659,073</b>	<b>\$ 15,072,253</b>

See Notes to Consolidated Financial Statements.



**SeriousFun Children's Network, Inc. and Subsidiaries**

**Consolidated Statements of Cash Flows  
Years Ended December 31, 2020 and 2019**

	<u>2020</u>	<u>2019</u>
Cash flows from operating activities		
Change in net assets	\$ 1,914,891	\$ 1,176,025
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities		
Realized and unrealized gain on investments	(397,705)	(423,511)
Depreciation	2,624	-
Changes in operating assets and liabilities		
Unconditional promises to give	509,173	476,102
Prepaid expenses and other assets	64,865	(84,143)
Accounts payable and accrued expenses	171,594	(76,070)
Payable to camps	298,534	123,415
	<u>2,563,976</u>	<u>1,191,818</u>
Net cash provided by operating activities		
Cash flows from investing activities		
Proceeds from sale of investments	590,787	323,440
Purchase of investments	(669,590)	(529,110)
Repayment of loan receivable	35,925	180,861
Purchase of property and equipment	(123,384)	-
	<u>(166,262)</u>	<u>(24,809)</u>
Net cash used in investing activities		
Net increase in cash and cash equivalents	2,397,714	1,167,009
Cash and cash equivalents, beginning	<u>4,878,639</u>	<u>3,711,630</u>
Cash and cash equivalents, end	<u>\$ 7,276,353</u>	<u>\$ 4,878,639</u>

See Notes to Consolidated Financial Statements.

## SeriousFun Children's Network, Inc. and Subsidiaries

### Notes to Consolidated Financial Statements December 31, 2020 and 2019

#### Note 1 - Nature of activities

SeriousFun Children's Network, Inc. (the "Organization") was formed in 2000 to support an association of affiliated camps and other facilities that serve children and families coping with serious illnesses and life-threatening conditions. It was created to support the shared interests and activities of the existing camps, and to foster the responsible development of new camps and new programs. Member camps and programs are located in North America, the Caribbean, Europe, Africa and Asia.

For programs, the activities include:

- Providing a forum for sharing information and best practices among the camps.
- Collecting and maintaining information on programs and management of the camps, to improve the delivery of camp programs and healthcare to children with serious illnesses and life-threatening conditions.
- Raising public awareness and engaging in common fundraising to benefit all camps.

#### Note 2 - Significant accounting policies

The significant accounting policies of the Organization are as follows:

##### Principles of consolidation

The consolidated financial statements include the accounts of the Organization and two related not-for-profit entities that are controlled by the Organization. Stichting SeriousFun Children's Network, Europe ("Stichting") was established in 2010 to organize and manage fundraising for the affiliated camps located in Europe. SeriousFun Children's Network International, United Kingdom ("UK") was established in 2014 to organize and manage fundraising for the affiliated camps from donors based in the United Kingdom. All material inter-organization transactions and balances have been eliminated in consolidation.

##### Basis of presentation

The accompanying consolidated financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. The consolidated financial statements report information regarding financial position and activities according to the following net asset categories:

###### *Net assets without donor restrictions*

Net assets without donor restrictions represent available resources other than donor-restricted contributions. Included in net assets without donor restrictions are funds that may be earmarked for specific purposes.

###### *Net assets with donor restrictions*

Net assets subject to donor- (or certain grantor-) imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity.

## SeriousFun Children's Network, Inc. and Subsidiaries

### Notes to Consolidated Financial Statements December 31, 2020 and 2019

#### Revenue recognition

Contributions received are recorded as with or without donor restrictions depending on the existence and/or nature of any donor restrictions. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions. Donor-restricted contributions whose restrictions are met in the same reporting period have been reported as unrestricted support in the statement of activities.

*Exchange transactions* - Revenue is recognized when control of the promised good or service is transferred in an amount that reflects the consideration expected in exchange for those goods or services.

*Contributions received* - An unconditional promise to give a financial asset is recognized as revenue when the promise is received. Conditional promises to give, that is, those with a measurable performance or other barrier, and a right of return, are not recognized until the conditions on which they depend have been substantially met.

*Contributions made* - Contributions and grants made are recognized as expenses in the period in which the promise is made. Contributions and grants with a measurable performance or other barrier, and a right of return, are not recognized until the conditions upon which they depend have been substantially met. The Organization makes grants to member camps and partnership programs to aid in development and capacity building. These grants are generally not payable until certain conditions have been met and, therefore, the expenses are not recorded until such conditions have been met.

*Non-cash contributions* - The Organization records the estimated fair value of the donated materials, equipment and usage of assets (i.e., rent) as both contribution in-kind revenue and expenses in the accompanying consolidated financial statements at their estimated fair values at the date of receipt. Non-cash contributions were \$1,402,324 and \$1,619,719 for donated tee-shirts and other merchandise for the years ended December 31, 2020 and 2019, respectively.

*Donated services* - The Organization recognizes donated services if they create or enhance non-financial assets or require specialized skills and would typically be purchased if not provided by donation. The Organization values these volunteer services based upon current rates provided to the Organization by the donor.

#### Cash and cash equivalents

For the purpose of the consolidated statements of cash flows, the Organization considers all highly liquid investments with an original maturity of three months or less to be cash equivalents. There were \$6,201,115 and \$3,650,417 of cash equivalents as of December 31, 2020 and 2019, respectively.

#### Receivables

Receivables are stated at unpaid balances, less an allowance for doubtful accounts. The Organization provides for losses on receivables using the allowance method. The allowance is based on management's past experience. The Organization's policy is to charge off uncollectible accounts receivable when management determines the receivable will not be collected.

## SeriousFun Children's Network, Inc. and Subsidiaries

### Notes to Consolidated Financial Statements December 31, 2020 and 2019

Contributions to be received over future periods are presented at the present value of estimated future cash flows using a discount rate of 1.56%. Amortization of the discount is recorded as additional contribution revenue in accordance with the donor-imposed restrictions, if any, on the contributions.

#### Investments

Investments are reported at fair value with gains and losses included in the consolidated statements of activities. Gains and losses are considered unrestricted unless restricted by donor stipulation or law. Nonmonetary investments received as gifts are immediately sold and recorded at the realized value.

#### Property and equipment

The Organization capitalizes all furniture, equipment and leasehold improvements in excess of \$2,000 and with a useful life greater than one year. Certain computer equipment may be expensed as incurred. Furniture, equipment and leasehold improvements are carried at cost. Donated furniture and equipment is carried at the approximate fair value at the date of donation. Depreciation for furniture and equipment is computed using the straight-line method over the estimated useful life of five years. Leasehold improvements are amortized over the shorter of their useful life or term of the lease.

Property and equipment consisted of the following for the years ended December 31, 2020 and 2019.

	2020	2019
Furniture	\$ 164,136	\$ 72,017
Equipment	168,936	168,936
Leasehold improvements	31,265	-
	364,337	240,953
Less accumulated depreciation	(243,577)	(240,953)
Property and equipment, net	<u>\$ 120,760</u>	<u>\$ -</u>

Depreciation expense for the years ended December 31, 2020 and 2019 was \$2,624 and \$0, respectively.

Expenses for repairs and maintenance are charged to expense as incurred. For assets sold or otherwise disposed of, the cost and related accumulated depreciation are removed from the accounts, and any resulting gain or loss is reflected in change in net assets for the period.

#### Income taxes

SeriousFun Children's Network, Inc. was organized as a nonprofit corporation under Section 501 (c)(3) of the Internal Revenue Code (the "Code") and, as such, is not subject to federal and state corporate income taxes.

The Organization has no unrecognized tax benefits for the years ended December 31, 2020 and 2019. The Organization's federal information returns prior to fiscal year 2017 are closed and management continually evaluates expiring statutes of limitations, audits, proposed settlements, changes in tax law and new authoritative rulings.

## **SeriousFun Children's Network, Inc. and Subsidiaries**

### **Notes to Consolidated Financial Statements December 31, 2020 and 2019**

If the Organization has unrelated business income taxes, they will recognize interest and penalties associated with uncertain positions as part of the income tax provision and include accrued interest and penalties with the related tax liability in the consolidated statements of financial position.

#### **Allocation of functional expenses**

The statement of functional expenses presents the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

The Organization allocates expenses based upon the purpose of the expense. Generally, an expense relates to a specific functional expense. In some instances, an expense might relate to multiple functional expenses. Management determines the percent of the expense used by each functional expense and allocates accordingly.

#### **Use of estimates**

The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

#### **Foreign currency**

The Organization's controlled not-for-profit subsidiaries are located in the Netherlands and the United Kingdom. The functional currencies of these foreign operations are the local currencies. The financial statements of the Organization's foreign subsidiaries have been translated into U.S. dollars. All statement of financial position accounts have been translated using the exchange rate in effect at the statement of financial position dates. Statements of activities amounts have been translated using the average exchange rate for the year.

Foreign currency translation adjustments resulted in a gain of \$23,151 and \$23,450 for the years ended December 31, 2020 and 2019, respectively, and have been reported separately in the consolidated statements of activities. Accumulated net translation adjustments have been reported in net assets without donor restrictions in the consolidated statements of financial position.

As of April 16, 2021, there was an increase in the value of the British Pound relative to the U.S. dollar. As a result of the change in foreign currency, the Organization would expect to record a gain of approximately \$5,500 in 2021.

#### **Concentrations of credit risk**

The Organization maintains its United States-based cash and cash equivalent balances in one financial institution. Accounts are insured by the Federal Deposit Insurance Corporation. From time to time, the Organization's balances may exceed these limits. At December 31, 2020, the Organization's uninsured domestic bank balances totaled \$6.2 million. Cash held in foreign accounts are not covered by any U.S. government insurance. At December 31, 2020, the Organization's uninsured foreign bank balances totaled \$614,805. The Organization limits its credit risk by selecting financial institutions considered to be highly creditworthy.

The Organization invests in various equity securities. These investment securities are recorded at fair value. Accordingly, the investment securities can fluctuate because of interest rates, reinvestment, credit and other risk depending on the nature of the specific investment. Therefore, it is at least reasonably possible that these factors could result in changes in the value of the

## SeriousFun Children's Network, Inc. and Subsidiaries

### Notes to Consolidated Financial Statements December 31, 2020 and 2019

Organization's investments which could materially affect amounts reported in the consolidated financial statements.

The Organization has operations outside the United States with foreign currency denominated assets and liabilities, primarily denominated in the Euro and the British pound. Because the Organization has foreign currency denominated assets and liabilities, financial exposure may result, primarily from the timing of transactions and the movement of exchange rates. The foreign currency balance sheet exposures as of the end of 2020 are not expected to result in a significant impact on future earnings or cash flows.

During 2020, approximately 57% of contribution revenue was received from two donors. During 2019, approximately 60% of contribution revenue was received from two donors.

#### Subsequent events

The Organization has evaluated subsequent events through April 16, 2021, which is the date the consolidated financial statements were available to be issued.

#### Note 3 - Liquidity

The Organization regularly monitors liquidity required to meet its annual operating needs and other contractual commitments while also striving to maximize the return on investment of its funds not required for annual operations.

	2020	2019
Cash and cash equivalents	\$ 7,276,353	\$ 4,878,639
Loan receivable	451,006	486,931
Unconditional promises to give	520,985	1,030,158
Investments	8,332,420	7,855,912
	16,580,764	14,251,640
Less: unconditional promises to give after more than one year	(199,792)	(404,582)
Less: endowment funds to be used in perpetuity	(1,100,000)	(1,100,000)
Less: loan receivable after more than one year	(284,058)	(333,896)
Less: board designated capital reserve	(895,957)	(895,957)
Financial assets available	<u>\$ 14,100,957</u>	<u>\$ 11,517,205</u>

Certain financial assets are subject to donor-imposed restrictions due to time or purpose that can be met to cover costs during the next 12 months as of December 31, 2020 and 2019.

The Organization supports its general operations primarily with unrestricted donor contributions and donor-restricted funds whose time or purpose restriction has been met.

The Organization's Investment Policy Statement requires the investment portfolio to maintain liquid instruments within its portfolio to ensure assets are available to meet general expenditures, liabilities and other obligations as they come due. The Organization's finance committee reviews investment performance and considers near-term liquidity needs.

**SeriousFun Children's Network, Inc. and Subsidiaries**

**Notes to Consolidated Financial Statements  
December 31, 2020 and 2019**

In addition to financial assets available to meet general expenditures within one year, amounts reported as board designated could be made available, as needed, by Board action. The board generally designates unusual unrestricted gifts such as a bequest to the board-designated endowment.

**Note 4 - Loan receivable**

The Organization's loan receivable represents the amount receivable from Flying Horse Farms under a \$650,000 unsecured line of credit. The line of credit bears interest at a rate of 2% per annum and was due and payable no later than January 31, 2019.

On June 17, 2020, the loan was amended to satisfy principal payments of \$650,000 and unpaid accrued interest of \$17,792. As a result of COVID-19, no payments were required for the months of May 2020 through December 2020. Full payments will commence in January 2021 and conclude in August 2023. One final payment of the accrued interest during the period of nonpayment will be paid in September 2023. The amended loan agreement requires 48 monthly payments of principal of \$13,912. Final payment is due September 1, 2023.

Total loan receivable balance (including unpaid accrued interest) as of December 31, 2020 and 2019 was \$451,006 and \$486,931, respectively.

The future minimum payments due are as follows:

2021	\$	166,948
2022		166,948
2023		117,110
		<u>451,006</u>
	\$	<u>451,006</u>

**Note 5 - Unconditional promises to give**

Unconditional promises to give are comprised of the following:

	<u>2020</u>	<u>2019</u>
Receivable due in		
Less than one year	\$ 330,586	\$ 640,011
One to five years	199,792	404,582
Greater than five years	-	-
	<u>530,378</u>	<u>1,044,593</u>
Less allowance	-	-
Less unconditional promises to give discount	<u>(9,393)</u>	<u>(14,435)</u>
	<u>\$ 520,985</u>	<u>\$ 1,030,158</u>

## SeriousFun Children's Network, Inc. and Subsidiaries

### Notes to Consolidated Financial Statements December 31, 2020 and 2019

#### Note 6 - Investments and fair value measurement

Investments are comprised of the following:

	<u>2020</u>	<u>2019</u>
Mutual funds	\$ 8,315,336	\$ 7,855,912
Exchange traded funds	<u>17,084</u>	<u>-</u>
Total	<u>\$ 8,332,420</u>	<u>\$ 7,855,912</u>

The Organization values its financial assets and liabilities that are recognized or disclosed at fair value on a recurring or non-recurring basis. Fair value is defined as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date.

The fair value hierarchy distinguishes three levels of inputs that may be utilized when measuring fair value. The three levels of the fair value hierarchy are described below:

- Level 1: Quoted prices (unadjusted) in active markets that are accessible at the measurement date for identical assets or liabilities. The fair value hierarchy gives the highest priority to Level 1 inputs. All of the Organization's investments are classified as Level 1.
- Level 2: Observable inputs other than Level 1 prices such as quoted prices for similar assets or liabilities; quoted prices in inactive markets or model-derived valuations in which all significant inputs are observable or can be derived principally from or corroborated with observable market data.
- Level 3: Unobservable inputs are used when little or no market data is available. The fair value hierarchy gives the lowest priority to Level 3 inputs.

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). Valuation techniques used need to maximize the use of relevant observable inputs and minimize the use of unobservable inputs.



## SeriousFun Children's Network, Inc. and Subsidiaries

### Notes to Consolidated Financial Statements December 31, 2020 and 2019

The following table sets forth by level, within the fair value hierarchy, the Organization's assets at fair value as of December 31, 2020:

	<u>Total</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Short-term fixed income	\$ 5,903,248	\$ 5,903,248	\$ -	\$ -
Fixed income	231,565	231,565	-	-
Equities	2,087,510	2,087,510	-	-
Alternative strategies	71,257	71,257	-	-
World allocation	21,756	21,756	-	-
Commodities	17,084	17,084	-	-
	<u>\$ 8,332,420</u>	<u>\$ 8,332,420</u>	<u>\$ -</u>	<u>\$ -</u>

The following table sets forth by level, within the fair value hierarchy, the Organization's assets at fair value as of December 31, 2019:

	<u>Total</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Short-term fixed income	\$ 5,707,983	\$ 5,707,983	\$ -	\$ -
Fixed income	216,744	216,744	-	-
Equities	1,788,443	1,788,443	-	-
Alternative strategies	95,339	95,339	-	-
World allocation	47,403	47,403	-	-
	<u>\$ 7,855,912</u>	<u>\$ 7,855,912</u>	<u>\$ -</u>	<u>\$ -</u>

Investments in mutual funds are valued at the daily closing price as reported by the fund (Level 1). Mutual funds are open-end funds that are registered with the Securities and Exchange Commission. These funds are required to publish their daily net asset value ("NAV") and to transact at that price. The funds held by the Organization are deemed to be actively traded. Common stock is valued using market prices on active markets (Level 1). Level 1 instrument valuations are obtained from real time quotes for transactions in active exchange markets involving identical assets.

Investments in commodities are exchange traded funds and valued at the closing price reported on the active market on which the individual securities are traded.

The preceding method may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the Organization believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date. There were no changes in valuation methods from 2019 to 2020.

## SeriousFun Children's Network, Inc. and Subsidiaries

### Notes to Consolidated Financial Statements December 31, 2020 and 2019

#### Note 7 - Net assets

Net assets consisted of the following:

	<u>2020</u>	<u>2019</u>
With donor restrictions		
Purpose and time restrictions	\$ 5,357,178	\$ 4,922,875
Accumulated investment gains (loss) on endowment	218,158	90,050
Amounts required to be held in perpetuity	<u>1,100,000</u>	<u>1,100,000</u>
	<u>\$ 6,675,336</u>	<u>\$ 6,112,925</u>

The purpose restrictions relate primarily to amounts to be expended as grants to member camps and for other future events and operations.

In the years ended December 31, 2020 and 2019, net assets of \$6,931,728 and \$8,293,323, respectively, were released from donor restrictions due to the satisfaction of purpose restrictions.

The board has designated certain funds for a capital reserve. The amount designated totaled \$895,957 for both years at December 31, 2020 and 2019.

#### Note 8 - Related party transactions

During the years ended December 31, 2020 and 2019, the Organization received \$6,048,442 and \$5,369,695, respectively, of cash contributions from related organizations, members of the Organization's board of directors and employees.

One related party contributed \$5,655,833 in the year ended December 31, 2020 and \$5,117,500 in the year ended December 31, 2019, which is approximately 41% and 33% of total revenue, respectively.

#### Note 9 - Endowment

The Organization's endowment includes donor-restricted endowment funds. As required by accounting principles generally accepted in the United States of America, net assets associated with endowment funds, including funds designated by the Board of Directors to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

##### Underwater endowment funds

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or the State of Connecticut Uniform Prudent Management of Institutional Funds Act ("CTUPMIFA") requires the Organization to retain as a fund of perpetual duration.

While CTUPMIFA allows for endowed funds to fall below the required level, it is the Organization's intention to maintain its endowed funds at their required levels when possible. The Organization's did not have underwater endowment funds at December 31, 2020 and 2019, respectively.

## **SeriousFun Children's Network, Inc. and Subsidiaries**

### **Notes to Consolidated Financial Statements December 31, 2020 and 2019**

#### **Return objectives and risk parameters**

The Organization has adopted investment and spending policies for endowment assets that attempt to generate annual returns in support of operations while also increasing the value of endowment assets. The endowment investment objectives are to safeguard and preserve the real purchasing power of the portfolio while earning investment returns sufficient to meet donor requirements. Under this policy, the Organization seeks to control risk and reduce volatility in its portfolio through diversification. The Organization also seeks to maintain adequate liquidity to meet its obligations, including planned expenditures.

#### **Strategies employed to achieve objectives**

To satisfy its long-term rate of return objectives, endowment funds are allocated among various asset classes including equity, fixed income, alternative investments and cash and is diversified both by and within asset classes. The purpose of this diversification is to provide reasonable assurance that no single security or class of securities will have a disproportionate impact on the performance of the endowment.

#### **Spending policy and how the investment objectives relate to spending policy**

The Organization has a policy of appropriating not more than 5% of the average market value of the endowment fund for the preceding 12 quarters. This is consistent with the Organization's objective to achieve net income of 5% to distribute to US camps, while preserving the original gift in its entirety.

#### **Interpretation of relevant law**

The Board of Directors has interpreted CTUPMIFA as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Organization classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted or unrestricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Board of Directors in a manner consistent with the standard of prudence prescribed by CTUPMIFA.

#### **Interpretation of relevant law**

In accordance with CTUPMIFA, the Organization considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- a. The duration and preservation of the fund
- b. The purposes of the Organization and the donor-restricted endowment fund
- c. General economic conditions
- d. The possible effect of inflation and deflation
- e. The expected total return from income and the appreciation of investments
- f. Other resources of the Organization
- g. The investment policies of the Organization

**SeriousFun Children's Network, Inc. and Subsidiaries**

**Notes to Consolidated Financial Statements  
December 31, 2020 and 2019**

Endowment net asset composition by type of fund is as follows:

	<u>Without donor restrictions</u>	<u>With donor restrictions</u>	<u>Total</u>
December 31, 2020			
Board designated	\$ -	\$ -	\$ -
Donor restricted			
Original donor gift maintained in perpetuity	-	1,100,000	1,100,000
Accumulated investment gain	-	218,158	218,158
	<u>\$ -</u>	<u>\$ 1,318,158</u>	<u>\$ 1,318,158</u>
December 31, 2019			
Board designated	\$ -	\$ -	\$ -
Donor restricted			
Original donor gift maintained in perpetuity	-	1,100,000	1,100,000
Accumulated investment gain	-	90,050	90,050
	<u>\$ -</u>	<u>\$ 1,190,050</u>	<u>\$ 1,190,050</u>

**SeriousFun Children's Network, Inc. and Subsidiaries**

**Notes to Consolidated Financial Statements  
December 31, 2020 and 2019**

Changes in endowment net assets are as follows:

	<u>Without donor restrictions</u>	<u>With donor restrictions</u>	<u>Total</u>
Endowment net assets, January 1, 2019	\$ -	\$ 1,006,634	\$ 1,006,634
Investment return			
Investment income	-	28,576	28,576
Unrealized/realized gains and (losses)	-	159,200	159,200
Net investment return	-	187,776	187,776
Contributions	-	-	-
Approved for expenditure	-	(4,360)	(4,360)
Endowment net assets, December 31, 2019	-	1,190,050	1,190,050
Investment return			
Investment income	-	22,287	22,287
Unrealized/realized gains and (losses)	-	110,223	110,223
Net investment return	-	132,510	132,510
Contributions	-	-	-
Approved for expenditure	-	(4,402)	(4,402)
Endowment net assets, December 31, 2020	<u>\$ -</u>	<u>\$ 1,318,158</u>	<u>\$ 1,318,158</u>

**Note 10 - Retirement plans**

The Organization sponsors a qualified defined contribution retirement plan (the "Plan") for all eligible employees. Employees are eligible to participate in the Plan after completing one year of service and attaining 18 years of age. The Organization contributes up to 9% of eligible salaries to the Plan annually, and employees become fully vested in the Organization's contribution after three years of service. Retirement expense related to this Plan was \$238,483 and \$216,054 for the years ended December 31, 2020 and 2019, respectively.

**Note 11 - Commitments**

There were no conditional grants authorized to member camps as of December 31, 2020 and 2019.

The Organization held an operating lease for its Westport, Connecticut office through December 31, 2020.

The Organization relocated to a Norwalk, Connecticut office through a 10-year operating lease commencing November 1, 2020, with rent payments commencing October 1, 2021 through September 30, 2031. The lease agreement includes an extension option for two additional periods of five years each at the end of the initial lease term.

## SeriousFun Children's Network, Inc. and Subsidiaries

### Notes to Consolidated Financial Statements December 31, 2020 and 2019

The Organization has various operating leases for office equipment that are on a month to month basis.

Minimum future rental payments under non-cancelable operating leases are as follows:

	<u>Real estate</u>
2021	\$ 46,219
2022	185,799
2023	189,515
2024	193,306
2025	197,172
Thereafter	<u>1,212,319</u>
	<u>\$ 2,024,330</u>

Rent expense recognized in the statement of activities under its operating leases was \$201,101 and \$204,644, respectively, for the years ended December 31, 2020 and 2019.

#### **Note 12 - Conditional Promises to Receive**

During 2019, the Organization received a grant for \$22,250,000 that contained donor-imposed conditions. The Organization recognized \$4,500,000 in 2020 upon meeting certain conditions of the grant.

During 2017, the Organization received a grant for \$2,125,000 that contained donor-imposed conditions. The Organization did not recognize any amounts in 2020.

During 2019, the Organization received a grant for 1 billion JPY that contained donor-imposed conditions. The Organization recognized revenue of 146,794,656 JPY in 2020 upon meeting certain conditions of the grant.

During 2020, the Organization received a grant for 999,900 Sterling Pounds that contained donor-imposed conditions. The Organization recognized revenue of 333,300 Sterling Pounds in 2020 upon meeting conditions of the grant.

During 2020, the Organization received a grant for \$1,000,000 that contained donor-imposed conditions. The Organization recognized \$634,286 in 2020 upon meeting certain conditions of the grant.

The Organization has received conditional promises to give that are based upon sales of certain products or fundraising results of the grantor. The amount of these promises to give are unknown.

## **SeriousFun Children's Network, Inc. and Subsidiaries**

### **Notes to Consolidated Financial Statements December 31, 2020 and 2019**

#### **Note 13 - Contingency**

In early 2020, an outbreak of a novel strain of coronavirus (COVID-19) emerged globally. As a result, events have occurred including mandates from federal, state and local authorities leading to an overall decline in economic activity which could result in a loss of revenue and other material adverse effects to the Organization's financial position, results of operations, and cash flows. As of December 31, 2020, the global pandemic is still ongoing. Management continues to monitor the results of operations to evaluate the economic impact of the pandemic on the Organization.

#### **Note 14 - Paycheck Protection Program loan forgiveness**

On April 21, 2020, the Organization entered into an unsecured promissory note with a commercial bank for an aggregate principal amount of approximately \$703,200 pursuant to the Paycheck Protection Program (the "PPP Loan"), which was established under the Coronavirus Aid, Relief, and Economic Security Act (the "CARES Act") and is administered by the U.S. Small Business Administration (the "SBA"). The PPP Loan promissory note contains customary events of default relating to, among other things, payment defaults breach of representations and warranties, or provisions of the promissory note. The occurrence of an event of default may result in the repayment of all amounts outstanding and/or filing suit and obtaining judgment against the Organization.

Under the CARES Act, PPP Loan recipients meeting certain criteria set by the SBA may be eligible for full or partial forgiveness of such loans. The Organization submitted its application for PPP Loan forgiveness prior to December 31, 2020 and received notice from its lender on November 10, 2020 that the lender approved forgiveness of the full amount of the PPP Loan, and was further awaiting on SBA's approval. Accordingly, the Organization recognized a corresponding gain on loan forgiveness, which is included in other grant revenue for the year ending December 31, 2020.

#### **Note 15 - Subsequent events**

Subsequent to year end, the Organization secured a second PPP Loan in the amount of \$703,280. As with the first loan, the Organization expects to apply for forgiveness of the loan once the covered period has ended. See note 14 for information on the first PPP Loan.

Subsequent to year end, the Organization began working with a third-party service provider in the Netherlands to liquidate and close Stichting.

## **Supplementary Information**



**SeriousFun Children's Network, Inc. and Subsidiaries**

**Supplementary Information**

**Consolidating Statement of Financial Position  
December 31, 2020**

	<u>Assets</u>			
	SeriousFun Children's Network, Inc.	SeriousFun Children's Network International, United Kingdom	Eliminating entries	2020
	<u>                    </u>	<u>                    </u>	<u>                    </u>	<u>                    </u>
Assets				
Cash and cash equivalents	\$ 6,661,548	\$ 614,805	\$ -	\$ 7,276,353
Loan receivable	451,006	-	-	451,006
Unconditional promises to give	490,519	30,466	-	520,985
Prepaid expenses and other assets	761,912	64,350	(580,313)	245,949
Investments	8,332,420	-	-	8,332,420
Property and equipment (net)	120,760	-	-	120,760
	<u>                    </u>	<u>                    </u>	<u>                    </u>	<u>                    </u>
Total assets	<u>\$ 16,818,165</u>	<u>\$ 709,621</u>	<u>\$ (580,313)</u>	<u>\$ 16,947,473</u>
	<u>Liabilities and Net Assets</u>			
Liabilities				
Accounts payable and accrued expenses	\$ 502,013	\$ 513,933	\$ (580,313)	\$ 435,633
Payables to camps	2,177,655	164,456	-	2,342,111
	<u>                    </u>	<u>                    </u>	<u>                    </u>	<u>                    </u>
Total liabilities	<u>2,679,668</u>	<u>678,389</u>	<u>(580,313)</u>	<u>2,777,744</u>
Commitments				
Net assets				
Without donor restriction	7,380,923	113,470	-	7,494,393
With donor restriction	6,757,574	(82,238)	-	6,675,336
	<u>                    </u>	<u>                    </u>	<u>                    </u>	<u>                    </u>
Total net assets	<u>14,138,497</u>	<u>31,232</u>	<u>-</u>	<u>14,169,729</u>
	<u>                    </u>	<u>                    </u>	<u>                    </u>	<u>                    </u>
Total liabilities and net assets	<u>\$ 16,818,165</u>	<u>\$ 709,621</u>	<u>\$ (580,313)</u>	<u>\$ 16,947,473</u>

See Independent Auditor's Report.

**SeriousFun Children's Network, Inc. and Subsidiaries**

**Supplementary Information**

**Consolidating Statement of Activities  
Year Ended December 31, 2020**

	SeriousFun Children's Network, Inc.		SeriousFun Children's Network International, United Kingdom		Total	Eliminating entries	2020
	Without donor restrictions	With donor restrictions	Without donor restrictions	With donor restrictions			
Support and revenue							
Contributions	\$ 6,237,612	\$ 5,482,267	\$ 11,924	\$ 464,744	\$ 12,196,547	\$ -	\$ 12,196,547
Special events	320,221	27,612	9,897	11,045	368,775	-	368,775
Special events program expense	(225,561)	-	(2,789)	-	(228,350)	-	(228,350)
Contributions in-kind	300	1,399,270	-	-	1,399,570	-	1,399,570
Total support	<u>6,332,572</u>	<u>6,909,149</u>	<u>19,032</u>	<u>475,789</u>	<u>13,736,542</u>	<u>-</u>	<u>13,736,542</u>
Revenue							
Dividends, interest and other investment income	171,967	-	49	-	172,016	-	172,016
Realized and unrealized loss on investments	288,504	109,201	-	-	397,705	-	397,705
Net assets released from restrictions	6,476,061	(6,476,061)	455,667	(455,667)	-	-	-
Total revenue	<u>6,936,532</u>	<u>(6,366,860)</u>	<u>455,716</u>	<u>(455,667)</u>	<u>569,721</u>	<u>-</u>	<u>569,721</u>
Total support and revenue	<u>13,269,104</u>	<u>542,289</u>	<u>474,748</u>	<u>20,122</u>	<u>14,306,263</u>	<u>-</u>	<u>14,306,263</u>
Expenses							
Program services	<u>10,393,047</u>	<u>-</u>	<u>455,667</u>	<u>-</u>	<u>10,848,714</u>	<u>-</u>	<u>10,848,714</u>
Support services							
General and administrative	696,510	-	7,551	-	704,061	-	704,061
Development	1,564,948	-	-	-	1,564,948	-	1,564,948
Total support services	<u>2,261,458</u>	<u>-</u>	<u>7,551</u>	<u>-</u>	<u>2,269,009</u>	<u>-</u>	<u>2,269,009</u>
Total expenses	<u>12,654,505</u>	<u>-</u>	<u>463,218</u>	<u>-</u>	<u>13,117,723</u>	<u>-</u>	<u>13,117,723</u>
Changes in net assets	<u>614,599</u>	<u>542,289</u>	<u>11,530</u>	<u>20,122</u>	<u>1,188,540</u>	<u>-</u>	<u>1,188,540</u>
Other revenue							
Gain (loss) on foreign currency	23,151	-	-	-	23,151	-	23,151
Other grant revenue	703,200	-	-	-	703,200	-	703,200
Total other revenue	<u>726,351</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>726,351</u>	<u>-</u>	<u>726,351</u>
Total change in net assets	1,340,950	542,289	11,530	20,122	1,914,891	-	1,914,891
Net assets, beginning	<u>6,039,973</u>	<u>6,215,285</u>	<u>101,940</u>	<u>(102,360)</u>	<u>12,254,838</u>	<u>-</u>	<u>12,254,838</u>
Net assets, end	<u>\$ 7,380,923</u>	<u>\$ 6,757,574</u>	<u>\$ 113,470</u>	<u>\$ (82,238)</u>	<u>\$ 14,169,729</u>	<u>\$ -</u>	<u>\$ 14,169,729</u>

See Independent Auditor's Report.



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